

Report of Independent Accountants

To the Management of SBC Communications Inc.

1. We have examined the effectiveness of SBC Communications Inc.'s (the "Company" or "SBC") controls over compliance with the Merger Conditions¹ during the Evaluation Period² based on the criteria set forth in the Merger Conditions and management's assertion, included in the accompanying Report of Management on the Effectiveness of Controls over Compliance with the Merger Conditions ("Report of Management"), that SBC maintained effective controls over the Company's compliance with the conditions set forth in the Merger Conditions for the Evaluation Period based on the criteria set forth in the Merger Conditions, except as noted therein. The Company's management is responsible for maintaining effective controls over compliance with the Merger Conditions. Our responsibility is to express an opinion based on our examination.
2. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the Company's controls over compliance, testing and evaluating the design and operating effectiveness of the controls, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination of the effectiveness of SBC's controls over compliance with the Merger Conditions.
3. Our examination disclosed the following related to the Company's controls over compliance with the Merger Conditions for the Evaluation Period:


¹ Merger Conditions are set forth in Appendix C of the Federal Communications Commission's ("FCC's") Order Approving the SBC/Ameritech Merger (*Applications of Ameritech Corp. and SBC Communications Inc. for Consent to Transfer Control of Corporations Holding Commission Licenses and Lines Pursuant to Section 214 and 310(d) of the Communications Act and Parts 5, 22, 24, 25, 63, 90, 95 and 101 of the Commission's Rules*, CC Docket No. 98-141, *Memorandum Opinion and Order*, 14 FCC Rcd 11712 (1999)).

² The Evaluation Period is described in Attachment A of our Report of Independent Accountants on SBC's Compliance with the Merger Conditions also dated August 29, 2005.

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- a. The processes to provide discounts required by Condition 14, “Carrier-to-Carrier Promotions: Unbundled Loop Discount” did not include certain controls in the SBC Midwest region³ to verify that discounts were applied and corrections were made to certain competitive local exchange carrier (“CLEC”) accounts within the established time frame of the initial billing.
 - b. The processes to provide discounts required by Condition 15, “Carrier-to-Carrier Promotions: Resale Discount,” did not include certain controls to verify that all eligible and requested discounts by CLECs were provided within the established time frames as specified in the Merger Conditions. Control deficiencies were noted related to control processes to ensure that all eligible CLEC lines received discounts within the established time frame for the service as required by Condition 15 for resold services.
 - c. The processes to ensure the annual compliance report filed in accordance with Condition 26 did not ensure that the Company reported noncompliance related to Condition 14 and Condition 15 related to certain CLEC lines not receiving the eligible discount.
4. In our opinion, except for the effect of the control deficiencies described in paragraph 3. above, the Company maintained, in all material respects, effective controls over compliance with the Merger Conditions for the Evaluation Period based upon the criteria set forth in the Merger Conditions.
 5. This report is intended solely for the information and use of the Company and the FCC and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



August 29, 2005

³ The “SBC Midwest region” refers to the states of Illinois, Indiana, Michigan, Ohio and Wisconsin.



Report of Management on the Effectiveness of Controls over Compliance With the Merger Conditions

Management of SBC Communications Inc. ("SBC" or the "Company") is responsible for establishing and maintaining effective controls over SBC's compliance with the conditions set forth in the Merger Conditions¹ during the Evaluation Period². The controls are designed to provide reasonable assurance to SBC's management and Board of Directors that SBC is in compliance with the Merger Conditions.

There are inherent limitations in any control, including the possibility of human error and the circumvention or overriding of the controls. Accordingly, even effective controls can provide only reasonable assurance with respect to the achievement of the objectives of controls. Further, because of changes in conditions, the effectiveness of controls may vary over time.

SBC has determined that the objectives of the controls with respect to compliance with the Merger Conditions are to provide reasonable, but not absolute, assurance that compliance with the Merger Conditions has been achieved.

SBC has assessed its controls over compliance with the Merger Conditions, in relation to the criteria set forth in the Merger Conditions. Based upon this assessment, except for the effect of the control deficiencies described below related to Condition 15, SBC maintained, in all material respects, effective controls over compliance with the Merger Conditions during the Evaluation Period based on the criteria set forth in the Merger Conditions.

- The processes used to provide certain discounts required by Conditions 15 during the Evaluation Period did not include controls sufficient to verify that all eligible and requested discounts by competitive local exchange carriers ("CLECs") were provided within the established time frames as specified in the Merger Conditions. The requirement to provide discounts pursuant to Condition 15 sunset in 2002. However,

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² The Evaluation Period is described in Attachment A of the Report of Management on Compliance With the Merger Conditions.

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a small number of eligible lines did not receive the discount when ordered. The Company was unable to identify the exact cause for these isolated cases where the discount was not provided or identify the impacted orders as the system programming to provide the discount on new orders was overwritten when the offering window closed in October 2002. However, the Company has determined that the vast majority of orders were processed correctly and that the overall number of lines potentially eligible for the promotional discount were low; as such, the number of lines that potentially may not have received the promotional discount was minimal and the total dollar value difference between the potential promotional discount and standard resale discount was nominal.

The Company's controls over documenting the ordering methodology for one CLEC as to the eligibility of residential UNE Loop orders for the discount required by Condition 14 were insufficient to substantiate compliance with the condition. The offering window closed in October 2003.

Additionally, the processes used to ensure the annual compliance report filed in accordance with Condition 26 did not ensure that the Company reported noncompliance related to Condition 15 in Midwest in the report.

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Date: 8/29/05

SBC Communications Inc.

By: 

Priscilla Hill-Ardoin

Senior Vice President – Regulatory Compliance

FCC Corporate Compliance Officer